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FISCAL IMPACT STATEMENT

LS 7317

BILL NUMBER: HB 1162

NOTE PREPARED: Jan 4, 2005

BILL AMENDED:

SUBJECT: Limitation on School Capital Leases.

FIRST AUTHOR: Rep. Cherry

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill prohibits a school corporation from entering into debt and lease obligations that in the aggregate exceed 10% of the latest adjusted value of taxable property determined for the school corporation immediately preceding the incurring of the obligations.

Effective Date: May 20, 2005 (retroactive).

Explanation of State Expenditures: The Department of Local Government Finance and the School Property Tax Control Board review and approve all construction bonding for local schools. The Department may have some small additional financial expense in reviewing a school's outstanding debt and calculating the debt ratio, but the cost is probably minor and could be funded given the level of the current budget.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill could limit the growth in Debt Service Fund levies for local schools. The bill limits the outstanding debt and lease obligations, including public holding company debt, to not more than 10% of the school's latest adjusted value of taxable property. Adjusted value of property is defined as 1/3 of the school's assessed valuation.

For CY 2003 the following chart shows the percentage of debt for 2003 adjusted value of taxable property.

Debt as % of 2003 Adjusted Taxable Property	Number of Schools
0-5%	56
5-10%	90
10-15%	78
15-20%	31
20-30%	32
Over 30%	5
Total	292

The bill specifies that if a school corporation has obligations in the aggregate that exceed the maximum amount specified, that those obligations are still valid. However, the school corporation may not increase their obligations until they reduce their current obligations to comply with the maximum limits set out in this bill.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local Schools.

Information Sources: Department of Education Databases.

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